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Sycamore Rents Half of Converted Condo Project

By Bob Howard

Thursday, October 08, 2009 - Locally based Sycamore Urban Properties has reached the halfway point in renting out the 41 units of a luxury condo project at the northwest corner of Baker Avenue and Arrow Highway in Rancho Cucamonga that it acquired as part of its strategy of converting broken condo deals to buy and hold as rentals until the condo market improves. In its first 60 days of marketing the development as rentals, Irvine-based Sycamore has leased out 50% of the units of the project, which is called Sycamore Villas.

Mitchell Bradford, president of Sycamore Urban, says that the pace of leasing is on target with the developer's initial projections. It took the company just nine months from the time it acquired the note on this failing development to "traverse and emerge from the borrower's Chapter 11 and then Chapter 7 bankruptcy filings, successfully foreclose, complete construction, and finally, convert the property to luxury rental townhomes and first move-ins," Bradford says.

The original development, which was 90% complete, had gone into default in early 2008. The unsecured jobsite began to fill up with weeds and trash until Sycamore acquired the property via foreclosure several months later.

Sycamore Urban's business model is to lease out all the townhomes in four to five months. After that point, it can either sell the five-acre property in bulk to another multifamily community investor or hold onto it until the housing market rebounds, eventually selling individual units as condominiums. As the company explained when it acquired the property, its business plan is to acquire and stabilize new and converted condominium properties that have fallen into distress since the housing bubble burst because it foresees a strong demand for condos, especially in the more affordable price ranges, once the market recovers.

Sycamore is tracking more than \$500 million of properties that are either stalled, distressed or in the foreclosure process. The company recently closed an FDIC asset in the Inland Empire and plans to acquire 20 to 30 additional properties over the next two to three years. "The properties are out there," Bradford says. "But identifying troubled properties in this market has proven to be a great deal easier than actually buying assets.

Dan Flynn, vice president of Sycamore, points out that converting a project like Sycamore Villas from broken condo to successful rental property requires "day-to-day, sometimes hour-to-hour management of all the details." Flynn says there is strong demand for the three- and four-bedroom units with attached two-car garages at Sycamore Villas—all features that are relatively rare in the rental housing market.

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